

## CALNET II RFP DGS-2053

### Question and Answer Set #14

October 4, 2005

8. Regarding Executive Branch Agencies who have been preparing RFPs? Will CALNET I or CALNET II govern what they are working on or delay the release of their RFPs?

**Executive Branch Agencies (those that are accountable to the Governor) are non-exempt, that is, they are required to use CALNET I and II for specified services unless they are granted an exemption, which once obtained, means they can proceed to bid per procurement requirements, for the exempted service(s).**

**Constitutional agencies (those with elected officers), the University of California, and a few miscellaneous agencies are not considered Executive Branch agencies and are exempt from being required to use CALNET I or II. CALNET I, CALNET II, and DTS/ONS do not govern such agencies' RFPs and decisions made regarding them.**

10. Why are frame relay, private line and ATM service bundled in Module 1 with local services? Doesn't this limit the players who can effectively compete for those services?

**The frame relay, private line and ATM services in Module 1 are considered replacement services for the local loop services in place today. They are intended to allow our customers to transition with minimal disruption and/or reconfiguration. These services require physical connection to local loop points of presence. Additionally, if backbone services were separate from Module 1, it would be difficult for providers of these services to accurately price them without knowing the actual points of presence for local loop services which will not be made public until award of the Module 1 contract. It is not our intent to limit the players who can effectively compete for these services and by including these services in Module 1 the State is assured that it receives all the services it requires.**

11. Can we get addresses for the sites in Section 3 lists? Can we get the Exhibits in Section 3 in spreadsheet format? This would help in our analysis greatly.

**Additional information, as well as the Section 3 Exhibits in MS Word format, will be provided to bidders who have submitted a letter of intent to bid as detailed in Section 1.9.**

12. Please verify which of the security requirements in Section 6.2.14.2 (below) pertain to Module 2 scope elements.

- Managed Authentication Services
- Managed Intrusion Detection Services

- Managed Intrusion Prevention Services
- Vulnerability Assessments
- System Health Monitoring
- Security Audits
- Network Audits
- Network Security Training
- Security Administration
- Support all current and future US encryption Standards
- Security Event Correlation
- Physical site security

**The list of specific security requirements stated in Section 6.2.14.2 will be modified in Addendum 14.**

13. Will the State of California permit co-prime arrangements in response to Modules 1, 2, 3, and/or 4 of the CALNET II RFP?

**Please see the State's response to Question 5 in Q&A Set #12.**

14. Would DGS consider rescheduling Action Item 12, "Submission of Conceptual Proposal " back by four weeks (i.e. 10/31/05)?

**At this time the State does not intend to change the published schedule.**

15. We are attempting to understand the concept of "non-exclusivity" as referenced in the CALNET II RFP. The response provided by Barry Hemphill during the Vendor Forum (and referenced in the Vendor Forum Summary) is as follows:

*Contractor A gets the business Day 1 and then Day 2 Vendor B puts in a proposal to provide service x for 25% less. Contractor A has the opportunity to adjust their price to a competitive level or not. If Contractor A chooses not to adjust their price or cannot offer a competitive option, then Vendor B could get the business following a competitive bid.*

The example above uses a number of 25% and Management Memo 04-08 states "cost of an alternative product or service provider are substantially below (approximately 20%) the cost of similar products or services". Given the highly competitive nature of the telecommunications industry, providing a service for 20% (or even 10%) less than a competitor is almost unheard of. Given this fact, what will be the threshold percentage that must be provided by Vendor B in the example above?

**Management Memo 04-08 establishes State telecommunications policy. The 20% referenced in your comments applies to exemption criteria from mandatory use of CALNET I services. Each alternate proposal will be evaluated by the State on a case-by-case basis considering a variety of factors. Just because the alternate**

**price offered by an outside vendor is a certain percentage lower, does not automatically constitute an exemption approval. Therefore, we cannot specify a threshold percentage that must or should be provided. Refer to RFP Section 1.4.1 for further information. See also RFP 2.2.8.**

16. What motivation is there for Vendor B to provide a less expensive proposal if Vendor A has the opportunity to adjust their price in order to retain the business? Even if Vendor A chooses not to adjust their price, Vendor B will be just one of multiple vendors pursuing the business through a competitive bid. These two hurdles significantly reduce the opportunity for Vendor B to win the business. While this example provides a positive scenario for the state in the form of reduced costs, few (if any) vendors would be willing to expend time and resources on an opportunity with such a limited potential for return.

**It is the responsibility of the State to seek a positive means of reducing costs. Your question is posed as a commentary or opinion. The State cannot speculate on the motivation or business models of telecommunications service suppliers or anticipate the number of vendors willing to expend time and resources in competing for State business.**

17. We are not sure if you are looking for a solution which would be on-premise or hosted for the following RFP requirements:

- 6.2.13 Network Audio Conferencing
- 6.3.2.5 Hosted Standalone IP Telephone Audio Conferencing
- 6.3.6.1 Managed IP Video Conferencing Services
- 6.1.3.10 Net Conferencing

Please provide clarification.

**Please clarify and resubmit this question with more specificity. These services are referred to in 3 different Modules. Some of the feature requirements within the services could be hosted, others could be part of the service itself.**

18. Will the requirements of Management Memo 04-08 continue to control the acquisition of service by non-exempt (non-executive branch) agencies?

**To clarify, Non-Exempt agencies are those in the Executive Branch. Those agencies will continue to be required to follow Management Memo 04-08 until it is revised or superseded. See RFP Section 1.4.1**

19. In reference to the exemption process for Executive Branch agencies mentioned at the Bidder's forum, please define the steps that an agency must follow to request an exemption to purchase service from a non-CALNET II prime vendor.

**Please refer to Management Memo 04-08, State Telecommunications Vision, Strategy and Policy, dated March 4, 2004, for the State's policy on exemption**

from use of CALNET services. This policy will remain in effect unless otherwise revised or superseded. The exemption process is described in further detail in the State Telecommunications Management Manual (STMM), Chapters 442.0 and 421.1. The STMM can be found at [www.ons.dts.ca.gov](http://www.ons.dts.ca.gov) (click on Information for ATRs and DLCs, then scroll to the STMM listing).

**Refer to RFP Section 1.4.1 for further information.**

20. Please define the steps that an agency must follow to request permission to migrate service from one CALNET II Module to a different Module.

**Please refer to RFP Section 4.5.6, Transition/Migration/Transfer and Appendix A, Glossary for the definitions of those terms. Migration only occurs when CALNET I Customers Migrate directly to CALNET II Module 3 and/or 4. The specific processes for Transition/Migration/Transfer will be determined by confidential discussions and Bidders final proposals and business solutions.**

21. Please define the criteria that DTS/ONS will use to initially evaluate an agency's request for an exemption to purchase service from a non-CALNET II prime vendor.

**Please see response to Question 19 above.**

22. Please define the criteria that ONS/DTS will use to initially evaluate an agency's request to migrate service between CALNET II Modules.

**Please see response to Question 20 above. Specific or detailed criteria and processes for Transfer cannot be defined at this time. We can discuss in greater detail during confidential discussions.**

23. Must an agency have a binding offer from a competing vendor to request an exemption? If not, what level of commitment by a competing vendor must be established by an agency to enable ONS/DTS to evaluate or move forward with an exemption request?

**An exemption may be requested without a binding offer; however, during review of the exemption request, the State/DTS may specify the conditions and requirements it expects the requesting agency to meet and/or provide in order for State/DTS to properly evaluate the exemption request and make a determination. Therefore, each request is evaluated on a case-by-case basis during a specific evaluation, based on State policy in MM 04-08 and as outlined in the STMM. Please see response to Question 19 above.**

24. Must a competing offer to an agency for services currently offered under CALNET II comply with all of the administrative requirements of the awarded CALNET II contract (such as requirements for billing, training, SLAs, reports, administrative fees, maintenance, security, most favored nations, no term commitment, no exclusivity, no transition costs if Modules 1 or 2, and no minimum annual commitment)?

**In general, the service offered by a non-CALNET II vendor must be comparable to or better than the CALNET II service as determined by an evaluation of the agency's exemption request for those agencies subject to provisions of Management Memo 04-08, and any follow-up documentation requested by the State/DTS. Please also see the answers to Questions 19 and 23 above.**

25. If an agency is allowed to acquire services outside of CALNET II, will the non-CALNET II prime vendor contract be required to contain no term, no exclusivity, no migration costs (for Modules 1 or 2), and no early termination charges such that the agency can terminate the contract at any point in order to sign a contract with another vendor that offers a better price? If yes, how does ONS/DTS propose to control the potential for churn due to the constant sales activities by other vendors and exemption requests by agencies?

**Agencies subject to provisions of Management Memo 04-08 that acquire services outside of CALNET II should have obtained a specific exemption based on a documented need to go outside the CALNET II contract(s), generally for specific services only, and only after a thorough assessment of the situation by the State/DTS. Agencies cannot make that determination themselves, and it is rare that a blanket exemption would be given for a Non-Exempt agency to not use the CALNET contract(s) at all. If and when an exemption is granted, such agencies will be required to comply with State procurement policies for competitive bids. These acquisitions are independent procurements and are not required to comply with provisions of CALNET II. Please also see the answers to Questions 19, 23 and 24 above.**

26. Please describe the communication to the CALNET II prime vendor during any such exemption/migration request. At what point in the process will the CALNET II prime vendor be notified of the agency's exemption/migration request? Will the CALNET II prime vendor be given an opportunity to meet the offer of the competing vendor?

**Prime vendors will be notified as early in the exemption process as possible, and will be given the opportunity to respond before an exemption is granted. Agencies that wish to Transfer to other CALNET II contract(s) do not need an exemption to do so, but a delegation approval or the involvement of the State/DTS is required. Migration will be done with the involvement of the State/DTS. See Appendix A for the definitions of Transfer and Migration. The notification process to the Contractors in these circumstances will be worked out between the State, the Customers, and the Contractors at a later date for both Transfer and Migration.**

27. An "individual case basis" pricing process by which the CALNET II prime vendor could respond to a specific exemption request and not be obligated to offer such pricing on a statewide basis was referenced at the Vendor's Forum, please describe in detail the process. As a part of such "individual case basis" pricing, may the CALNET II prime vendor condition the price on a specific term commitment by the agency?

**Individual Price Reductions (IPR) options are described in RFP Section 4.5.2. Individual Case Basis Pricing (ICB Pricing) is addressed in Appendix B, Section 71. Generally, term commitments are not acceptable except in limited**

**circumstances as determined by the State/DTS. Specific processes will be defined at a later date.**

28. Will there be an “individual case basis” pricing process for a CALNET II prime vendor to utilize in responding to an agency request to migrate to service between CALNET II Modules? If yes, please describe the process in detail.

**Please see response to Questions 26 and 27 above.**

29. The RFP requires a statewide postalized rate. To create such a statewide rate, any vendor submitting a bid will be required to establish a business case based on expected volumes and service costs for statewide service. The possibility that key high volume/low cost urban areas may be “cherry-picked” by competing vendors and/or that the prime vendor may be forced to reduce its prices in such areas as a part of the “individual case basis” pricing process, may place in jeopardy the financial viability of the state-wide rates. In the event that the prime vendor’s base of service is eroded to any significant degree as a result of the exemption process or the migration to other CALNET II Modules, may the prime vendor increase the statewide rate in order make up for the losses and to cover its statewide pricing costs? If no, under what circumstances will the prime vendor be allowed to increase the statewide rates due to erosion of service volumes caused by the exemption and/or migration of service? If the answer is that under no circumstances may a prime vendor increase statewide rates, how does ONS/DTS propose that a vendor of regulated services offer some form of assurance to its regulator that the vendor will in fact recover its costs on a statewide basis?

**Contractors will not be allowed to increase prices during the Contract term. The State has established a competitive environment through Non-exclusivity, Individual Price Reductions, and ICB Pricing options that provides opportunities for the Contractor to be competitive. The State can’t anticipate or speculate on any Bidder’s business model, nor is it the State’s role to assert to regulatory agencies that Contractors will recover their investment for statewide services provided by the Contractor.**

30. If an agency is granted an exemption, will that agency then be required to follow the State’s existing procurement process to formally bid the requested service(s)? If not, what procurement process will be required?

**Yes, State agencies are required to follow State procurement policies and guidelines in acquisition of goods and services.**

31. Management Memo 04-08 is fundamental and critical to the development of a business case by any competing vendor. As a result, in preparing final bids, should vendors rely on the requirements of Management Memo 04-8 in evaluating the risks/opportunities of the exemption process?

**See response to Question #18.**

32. Do you anticipate changes to Management Memo 04-08 prior to the completion of the CALNET II procurement process? If so, please describe the process through which the changes to Management Memo 04-08 take place (for example, will there be any public participation in the revision process).

**See RFP Section 1.4.1. Changes are anticipated, but the timing of those changes is unknown. There will not be any public participation in the revision process.**

33. In evaluating price, will the period for transition of service be factored into the ONS/DTS analysis? For example, one vendor may offer a lower base price with a longer duration for transition versus a vendor with a higher price and more immediate transition. As a result, the overall cost savings to the State for the five years of CALNET II may not be accurately reflected based solely on a pure price comparison. Is the ONS/DTS evaluation going to be strictly on base price or on overall cost savings to the State?

**Transition of services will be predicated on several factors as identified in the RFP for Transition-In Requirement of Startup for Module 1 and 2 services. Cost evaluations will be based on the requirements set forth in RFP Section 7, Costs.**

34. May a vendor change its design and subcontractors subsequent to its draft proposals as long as such changes are included in its final proposal?

**Bidders may change any aspect of their proposal prior to submission of the Final Proposal, but changes made after the submission of the Draft Proposal will not have the benefit of prior review by the State evaluation team.**

35. The original CALNET II RFP included all services within one procurement. The revised RFP calls for vendors to respond, in essence, to four procurements. The additional administrative and resource commitment to responding to multiple procurements is significant and grants vendors responding to only one module a competitive advantage over those vendors responding to more than one module. We request that ONS/DTS recognize this disparity and either grant more time for all vendors or provide scheduling accommodations for those vendors responding to more than two modules.

**Consideration for Bidders that pursue more than one module has already been applied to the schedule.**

36. Will the evaluations of the various competing bids be performed by the same or separate State teams for each Module? Will there be any State personnel that participate on more than one evaluation team?

**It is the State's intent to utilize the same State teams for the evaluation of all four Modules.**

37. For purposes of the confidential discussions described in the RFP, will all vendors bidding within a specific Module be given an equal amount of access and time with the State evaluation team to discuss its proposal for that Module?

**All Bidders will be provided the same amount of time to discuss their proposals with the State evaluation team.**

38. The costs for a vendor to respond to any of the RFP Modules are substantial. Before incurring the cost to bid on more than one Module, will it be possible for one vendor to be awarded the contract for more than one Module? Will it be possible for one vendor to be awarded the contract for all Modules? Since a number of the services in each Module are interrelated, is there any evaluation component within the RFP process that considers the results in other Modules before determining the winning vendor in a separate Module?

**Each module will be evaluated and awarded as individual contracts. Therefore, Bidders are required to submit proposals for each module in which they plan to compete. Bidders may be awarded more than one service contract, including all four contracts. The results for other Module contracts will not be considered when making a specific contract award.**

39. Pursuant to Section 2.4.2.5, the cover letter of transmittal should identify each change made to the model contract and the reason for each such change (except where the reason is obvious). With regard to Section 2.4.2.1, should the annotated model contract include the reason for each change along with the change or just the language change?

**Per RFP Section 2.4.2.1, include only the proposed language change in the annotated model contract.**